

AMENDED IN ASSEMBLY APRIL 19, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 2043

Introduced by Assembly Member Torrico

February 17, 2010

An act to amend Sections 33020 and 33021 of, and to add *and repeal* Section 33137 ~~to~~ *of*, the Health and Safety Code, relating to redevelopment.

LEGISLATIVE COUNSEL'S DIGEST

AB 2043, as amended, Torrico. Redevelopment funds: mortgage assistance.

The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities in order to address the effects of blight, as defined, in those communities and requires those agencies to prepare, or cause to be prepared, and approve a redevelopment plan for each project area. ~~Existing~~ *That* law authorizes the ~~agency~~ *agencies* to use of tax increment financing for redevelopment projects and ~~for the repayment of redevelopment agency debts.~~

This bill would redefine the term “redevelopment” to include the provision of loan assistance to qualified homeowners ~~participating in the federal Home Affordable Modification Program, until January 1, 2016, as determined by the agency.~~ The bill would authorize a redevelopment agency to use redevelopment funds to issue ~~loans, up to a maximum of \$75,000~~ *a subordinate loan limited to low- and moderate-income borrowers and to owner-occupied homes*, to reduce the principal mortgage balance ~~on the home mortgages of a borrower that has received a mortgage modification under the federal Home Affordable Modification Program and meets other specified~~

~~requirements~~ qualified homeowners, as prescribed, who reside in or outside of the project area. The bill would authorize the use of funds outside the project area only upon a specified resolution of the agency and the legislative body. The bill would authorize the issuance of a subordinate loan only upon the agreement of the lender to reduce the principal balance of the primary loan so that the loan-to-value ratio is equal to or less than 110%. The bill would repeal this authorization on January 1, 2016.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 33020 of the Health and Safety Code is
2 amended to read:

3 33020. "Redevelopment" means the planning, development,
4 replanning, redesign, clearance, reconstruction, or rehabilitation,
5 or any combination of these, of all or part of a survey area; the
6 provision of those residential, commercial, industrial, public, or
7 other structures or spaces as may be appropriate or necessary in
8 the interest of the general welfare, including recreational and other
9 facilities incidental or appurtenant to them; ~~the provision of;~~
10 assistance to qualified homeowners under Section 33137 *until*
11 *January 1, 2016*; and payments to school and community college
12 districts in the fiscal years specified in Sections 33681, 33681.5,
13 33681.7, 33681.9, and 33681.12.

14 SEC. 2. Section 33021 of the Health and Safety Code is
15 amended to read:

16 33021. Redevelopment includes:

17 (a) The alteration, improvement, modernization, reconstruction,
18 or rehabilitation, or any combination of these, of existing structures
19 in a project area.

20 (b) Provision for open-space types of use, such as streets and
21 other public grounds and space around buildings, and public or
22 private buildings, structures and improvements, and improvements
23 of public or private recreation areas and other public grounds.

24 (c) The replanning or redesign or original development of
25 undeveloped areas as to which either of the following conditions
26 exist.

(1) The areas are stagnant or improperly utilized because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility, or usefulness, or for other causes.

(2) The areas require replanning and land assembly for reclamation or development in the interest of the general welfare because of widely scattered ownership, tax delinquency, or other reasons.

(d) Issuance of loans to reduce the principal balance on the mortgages of qualified homeowners ~~participating in the federal Home Affordable Modification Program~~ *under Section 33137 until January 1, 2016.*

SEC. 3. Section 33137 is added to the Health and Safety Code, to read:

33137. (a) An agency may use redevelopment funds to issue ~~subordinate~~ loans to reduce the principal ~~mortgage balance of a qualified borrower who has received a mortgage modification under the federal Home Affordable Modification Program and has a mortgage payment that exceeds 31 percent of gross income.~~ *Loans issued pursuant to this section shall be limited to seventy-five thousand dollars (\$75,000): balance on the home mortgages of qualified homeowners, as specified in subdivision (g) and determined by the local agency, who reside in or outside of the project area. The agency may use these funds outside the project area only upon a resolution of the agency and the legislative body that the use will be of benefit to the project area.*

(b) *The funds authorized by this section shall not include the 20-percent set aside funds for the construction of low- and moderate-income housing required under Section 33334.2.*

(c) *Any subordinate loan authorized by this section shall be issued only if the lender agrees to modify an existing home mortgage to reduce the principal balance of the primary loan so that its loan-to-value ratio is equal to or less than 110 percent.*

(d) *The subordinate loan provided by the agency shall be no more than 15 percent of the remaining balance of the primary loan after its loan-to-value ratio is reduced pursuant to subdivision (c).*

(e) *It is the intent of the Legislature that the subordinate loan authorized in this section provide leverage to secure greater principal reduction. It is further the intent of the Legislature that the subordinate loan have a rational relationship to the amount*

1 *needed to prevent foreclosure and to the present value of the*
2 *forgiven principal.*

3 *(f) The subordinate loan, plus any applicable fees or interest*
4 *charges as determined by the agency, may be repaid to the agency*
5 *upon sale or refinance of the home. Prior to the sale or refinance,*
6 *no monthly payments shall be owed to the agency that holds the*
7 *subordinate loan.*

8 *(g) The subordinate loan shall be limited to low- and*
9 *moderate-income borrowers and to owner-occupied homes.*

10 *(h) This section shall remain in effect only until January 1, 2016,*
11 *and as of that date is repealed, unless a later enacted statute, that*
12 *is enacted before January 1, 2016, deletes or extends that date.*